

## Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 09310 281604Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AGRE-00 /020 W  
-----112929 281834Z /43

R 281506Z JUN 77  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 9217  
USDOC WASHDC

C O N F I D E N T I A L MOSCOW 9310

DEPT ALSO PASS DEPT OF AGRICULTURE

E.O. 11652: GDS  
TAGS: BGEN, EEWT, UR, US  
SUBJECT: INTERNATIONAL HARVESTER GUARDEDLY OPTIMISTIC ON EXPORT  
PROSPECTS TO USSR

REFS: (A) STATE 140988, (B) MOSCOW 1881

SUMMARY: INTERNATIONAL HARVESTER (IH) VICE CHAIRMAN  
OMER G. VOSS, ACCOMPANIED BY RETIRING VICE PRESIDENT  
FOR SPECIAL OPERATIONS, OVERSEAS DIVISION, ROBERT MCMENAMIN  
AND TWO OTHER IH REPS, EXPRESSED GUARDED OPTIMISM TO  
AMBASSADOR JUNE 24 CONCERNING PROSPECTIVE IH EXPORTS TO  
USSR. THEY SAW CONTINUED GOOD MARKET FOR LARGE CRAWLER  
TRACTORS, FOR CONSTRUCTION, PARTICULARLY AS THEY ANTICIPATE SOVIETS  
WILL RUN INTO DIFFICULTY MEETING OWN TRACTOR PRODUCTION SCHEDULE.  
CONCERNING US TRADE RESTRICTIONS, AMBASSADOR EMPHASIZED  
NEED TO CONVINCE SOVIET LEADERSHIP THAT ITS BEHAVIOR WILL  
INFLUENCE ATTITUDE OF US CONGRESS. END SUMMARY.

1. AT OUTSET AMBASSADOR AND INTERNATIONAL HARVESTER  
REPRESENTATIVES, IN DISCUSSION OF SOVIET ATTITUDE  
TOWARDS JACKSON/VANIK AMENDMENT, AGREED THAT MOOD OF  
CONGRESS IS CONTROLLED TO A LARGE EXTENT BY WHAT SOVIETS  
DO AND SAY. NOTING THAT SOVIETS DO NOT REALLY GRASP  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 09310 281604Z

HOW AMERICAN SYSTEM WORKS, AMBASSADOR RECOMMENDED THAT  
AMERICAN BUSINESS COMMUNITY - TO WHICH SOVIETS LISTEN MORE  
CAREFULLY THAN THEY DO TO US - HELP US GET ACROSS THIS  
BASIC FACT TO THE SOVIET LEADERSHIP.

2. TURNING TO IH BUSINESS PROSPECTS, VOSS SAID THAT IH  
HAS EXCELLENT RELATIONS WITH SOVIET LEADERSHIP, ESPECIALLY

WITH DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV, MINISTER OF MACHINE BUILDING FOR ANIMAL HUSBANDRY AND FODDER PRODUCTION KONSTANTIN N. BELYAK (BREZHNEV'S BROTHER-IN-LAW) AND VASILY N. MYSHKOV, CHAIRMAN OF THE FOREIGN TRADE ORGANIZATION TRAKTOROEKSPORT. VOSS NOTED THAT IH WOULD BE WILLING TO BUY SOME \$15 MILLION FROM USSR ANNUALLY TO OFFSET PROSPECTIVE ANNUAL SALES OF \$100 MILLION, SINCE TRADE MUST BE A TWO-WAY STREET. IH HAD ADVISED TRAKTOROEKSPORT TO FIND TWO GOOD US DISTRIBUTORS FOR ITS OWN SMALL TRACTORS SOLD IN US. HE ADDED THAT THE SOVIET MARKET STILL LOOKS GOOD FOR IH LARGE CRAWLER TRACTORS AND FOR GAS TURBINE ENGINES. MCMENAMIN ADDED THAT AS SOVIETS FALL BEHIND OWN PLANNED OUTPUT OF CRAWLER TRACTORS - AS OCCURRED IN NINTH FIVE-YEAR PLAN, HE SAID - THEY WILL RUN TO IH AND CATERPILLAR TO BAIL THEM OUT.

3. IN RESPONSE TO AMBASSADOR'S INQUIRY AS TO IMPORTANCE OF SOVIET MARKET TO IH, VOSS SAID THAT OF IH TOTAL ANNUAL EXPORTS OF \$300 MILLION (EXCLUDING CANADA), ABOUT \$70 MILLION WENT TO USSR. (HE DID NOT INDICATE WHETHER THIS WAS AN AVERAGE OR A CALENDAR YEAR STATISTIC.) ASKED IF IH FEARED DOWNTURN IN EXPORTS ON BASIS OF PATOLICHEV COMMENTS IN WASHINGTON (REF A), MCMENAMIN SAID THAT THE SOVIET MARKET AT PRESENT LOOKS TOUGH FOR NEWCOMERS BUT NOT FOR OLD ESTABLISHED FIRMS. HE REFERRED TO A \$25 MILLION CASH DEAL CONCLUDED BY IH IN JANUARY. VOSS ADDED THAT IH DOES TWO-THIRDS OF ITS SALES BY CASH AND DOES NOT GET HURT

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MOSCOW 09310 281604Z

WHERE IT DOES THE FINANCING, DUE TO ATTRACTIVE OPTIONS. HE EXPRESSED ANTICIPATION THAT THERE WOULD BE A BREAKTHROUGH ON ORDERS IN ABOUT SIX OR EIGHT MONTHS.

4. ASKED IF THERE WERE MAINTENANCE PROBLEMS ON IH EQUIPMENT EXPORTED TO THE USSR, VOSS RESPONDED THAT THERE IS NO WAY TO HELP THE RUSSIANS. MCMENAMIN ADDED THAT IH HOLDS SEMINARS BUT HAS NO WAY OF KNOWING WHETHER THE PERSONS IN ATTENDANCE WILL BE THOSE SERVICING THE EQUIPMENT. VOSS SAID THAT THE CHIEF PROBLEM FOR THE SOVIETS IS THE LACK OF A DISTRIBUTOR SYSTEM; WITH NO DEALERS OR MECHANICS LOCALLY AVAILABLE, EQUIPMENT FAILURES DO NOT GET SPEEDY ATTENTION AS GEIN US. IN THIS CONTEXT MCMENAMIN REFERRED TO A STUDY SHOWING THAT THE SPARE PARTS/MACHINERY SALES RATIO IN THE US IS 20 PERCENT BUT IN THE USSR IT IS 75 PERCENT. THIS, OF COURSE, WORKS TO IH ADVANTAGE IN SELLING SPARE PARTS TO USSR. VOSS QUIPPED THAT IH PARTS ARE SHIPPED HERE IN SUCH QUANTITY THAT THEY MUST BE LOST SOMEWHERE IN THE USSR.

5. VOSS MENTIONED THAT IH CONTRIBUTES \$150,000 ANNUALLY TO FUND THREE-MONTH EXCHANGE OF 15 SOVIET FARMERS AND 15 AMERICAN 4-H CLUB MEMBERS IN 19-26 AGE GROUP. PROGRAM

IS NOW IN SECOND YEAR AND WORKING WELL. THE FIRST GROUP OF SOVIETS WAS SENT TO THE UNIVERSITY OF MINNESOTA AND THEN IN PAIRS TO VARIOUS FARM STATES. THE AMBASSADOR REMARKED THAT SOME WAY SHOULD BE FOUND TO MAINTAIN TIES WITH THESE EXCHANGEES. VOSS MENTIONED THAT SOVIETS HAD MADE EXCELLENT COLOR FILM OF AMERICANS IN USSR, NOW AVAILABLE IN ENGLISH AS WELL AS RUSSIAN SOUND TRACK. MATLOCK

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, EAST WEST TRADE, JOINT VENTURES, BUSINESS FIRMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 28-Jun-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977MOSCOW09310  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770230-1196  
**Format:** TEL  
**From:** MOSCOW  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770611/aaaaajex.tel  
**Line Count:** 123  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 6f159e73-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 STATE 140988, 77 MOSCOW 1881  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 17-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2010672  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INTERNATIONAL HARVESTER GUARDEDLY OPTIMISTIC ON EXPORT PROSPECTS TO USSR  
**TAGS:** BGEN, EEWT, UR, US, INTERNATIONAL HARVESTER, (VOSS, OMER G), (MCMENAMIN, ROBERT)  
**To:** STATE COM  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/6f159e73-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009